

RETAIL SALES

YOU OWE RETAIL SALES TAX IF:

You are in the business of selling items to someone who plans to use the items and not rent or resell them. The seller owes the sales tax to the City of Mesa whether or not the seller added sales tax to the price of the item sold. (Mesa Tax Code 5-10-460)

MEMBERSHIP FEES OF RETAILERS

Membership, admission, or other fees charged by limited access retailers are considered part of taxable retail sales.

TAX RATE ON RETAIL SALES

The City tax rate is 1.75% of the taxable income.

PRIVILEGE TAX LICENSE NEEDED

You must apply for a license if you are engaged in any activity subject to the City's Privilege Taxes as a principal or broker. Also if you maintain within the City directly, or if a corporation by a subsidiary, an office, distribution house, sales house, warehouse, or other place of business, or any agent or other representative operating within this City under the authority of such person or if a corporation, its subsidiary, irrespective of whether such place of business or agent or other representative is located here permanently or temporarily or whether such person or subsidiary is authorized or licensed to do business in this State or this City, a license is required. In addition a license is required if you are soliciting sales, orders, contracts, leases, and other similar forms of business relationships within the City from customers, consumers, or users located within the City by means of salesmen, solicitors, agents, representatives, brokers, and other similar agents or by means of catalogs or other advertising, whether such orders are received or accepted within or without this City.

COLLECTION OF TAX

You may choose to charge the tax separately on each sale, or include sales tax

in your price. If you overcharge any tax to your customers, you must remit the excess tax to the city. If you include tax in your price, you can use factoring to "back into" the tax included in your gross sales.

For example, if you make a sale for \$100, tax included, and the tax is 8.05% (the combined City, State, and County tax rate), your tax calculation is:

Price excluding sales tax =	
\$100/1.0805 =	\$92.55
Mesa City Tax =	
\$92.55 x .0175 =	\$ 1.62
State & County Tax =	
\$92.55 x .063 =	\$ 5.83
Total City, State & County Tax	\$7.45

For additional guidance, please visit the Arizona Department of Revenue Website for a listing of online retail tax factor worksheets at: <http://www.azdor.gov/Business/TransactionPrivilegeTax/TaxFactoring.aspx>

TRADE-INS

If you take a trade-in for partial payment on an item, you owe sales tax on the difference between the original selling price and the trade-in amount. The trade-in allowance may not exceed the full sales price.

RETAIL SALES EXEMPTIONS

(Mesa Tax Code 5-10-465)

1. SALES TO A PERSON REGULARLY ENGAGED IN THE BUSINESS OF SELLING OR RENTING SUCH PROPERTY

When you sell an item to someone who plans to rent or resell it, you do not owe tax on that sale. But you must have clear and complete records of these sales or you will be taxed as if all your sales are taxable. Your records must separately show figures for retail sales and sales for resale. For each sale for resale, you must record the property sold, the buyer's name and address, the buyer's Transaction Privilege Tax License number and a signed statement by the buyer saying that the goods will be resold in the ordinary course of business.

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2. OUT OF STATE SALES

When an order is placed outside Arizona and is delivered to the buyer at a location outside the state, and the item is purchased for use outside the state, you do not owe tax on that sale. You must keep adequate records to prove that the transaction was an out of state sale.

3. CHARGES FOR DELIVERY AND INSTALLATION

When you charge for delivery or installation labor on items not becoming permanently attached to realty, you don't have to pay tax on the charges if you clearly show them separately on customer invoices and in your records.

4. SERVICES

If you operate a service business, income from that business is generally exempt from retail sales tax. However, this is true only if sales of tangible items are an incidental part of your business. If you regularly make sales of tangible items to your customers and/or maintain an inventory of tangible items available for sale to customers, you are engaged in retail business and are liable for tax on those sales. Examples of service businesses include lawn maintenance, pool maintenance, doctors, attorneys and accountants.

5. BAD DEBTS

A deduction is allowed for bad debts previously reported as taxable sales.

6. CASH & TRADE DISCOUNTS

Cash discounts allowed for timely payment by customers are not included in gross income. When coupons issued by a vendor are accepted as a discount against a transaction, the discount may be excluded from gross income. However, discount amounts for coupons issued by any person other than the vendor, such as a manufacturer, may not be excluded from gross income.

7. REFUNDS ON RETURNED MERCHANDISE

A deduction is allowed for refunds on

amounts previously reported as taxable sales.

8. SALES OF WARRANTY, MAINTENANCE, AND SERVICE CONTRACTS, WHEN SEPARATELY CHARGED AND SEPARATELY MAINTAINED IN YOUR BOOKS AND RECORDS

9. SALES OF PROSTHETICS

These include medically prescribed drugs, eyeglasses, contact lenses, insulin syringes, hearing aids, hospital beds, wheelchairs, corrective shoes, crutches, braces for neck, back, arm or leg, and artificial limbs or teeth.

10. SALES OF INCOME-PRODUCING CAPITAL EQUIPMENT

When you sell an item to someone who will use the equipment primarily for the purpose of directly producing income in the normal course of business, you do not owe tax on the sale.

In order for the sale to qualify as exempt from tax, the purchaser must be engaged in a business that directly uses the item to produce income and the item is to be directly used in the production of income. Manufacturing equipment and job printing equipment qualify as income-producing capital equipment.

11. CUSTOM COMPUTER SOFTWARE

When a sale is made of custom computer software which is prepared exclusively for a customer, the charges are considered direct customer services and are exempt from sales tax. However, a sale which is not custom computer software is taxable as a retail sale.

12. SALES OF MINING AND METALLURGICAL SUPPLIES

However, the sale of sand, rock, and gravel extracted from the ground is considered a taxable retail sale and not mining or metallurgical activity.

13. SALES OF MOTOR VEHICLE FUEL

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RETAIL SALES

14. SALES OF CONSTRUCTION MATERIALS TO A CONTRACTOR WHO HOLDS A VALID PRIVILEGE TAX LICENSE FOR ENGAGING IN THE BUSINESS OF CONSTRUCTION CONTRACTING WHERE THE MATERIALS SOLD ARE INCORPORATED INTO THE CONSTRUCTION PROJECT

The exemption does not apply to construction equipment and tools sold or leased to a contractor, any other tangible personal property which is not incorporated into the actual improvements being built, or to materials purchased directly by an owner-builder.

The vendor must secure a statement from the contractor stating the materials purchased will be incorporated into a construction project and is not for personal use. The vendor must also have the contractor's Transaction Privilege Tax License Number.

15. SALES OF ITEMS WHICH BECOME INGREDIENTS OF A PRODUCT SOLD IN THE REGULAR COURSE OF BUSINESS OF JOB PRINTING, MANUFACTURING, OR PUBLICATION OF NEWSPAPERS, MAGAZINES OR OTHER PERIODICALS

However, items which are not ingredients but are used up in a manufacturing, job printing, or publication process are subject to sales tax when sold.

16. SALES MADE DIRECTLY TO THE FEDERAL GOVERNMENT AS FOLLOWS:

(a) One hundred percent (100%) of the gross income derived from retail sales made by a manufacturer, modifier, assembler, or repairer.

(b) Fifty percent (50%) of the gross income derived from retail sales made by any other person.

17. SALES OF STOCKS, BONDS, OPTIONS, OR OTHER SIMILAR MATERIALS

18. SALES OF PLATINUM, BULLION, OR MONETIZED BULLION, EXCEPT MINTED OR MANUFACTURED COINS TRANSFERRED OR ACQUIRED PRIMARILY FOR THEIR NUMISMATIC VALUE

19. FOOD SALES TO EATING ESTABLISHMENTS

Sales to hotels, bars, restaurants, dining cars, lunchrooms, boarding houses, commercial airlines or similar establishments, of articles consumed as food, drink, or condiment, whether simple, mixed, or compounded, where such articles are customarily prepared or served to patrons for consumption on or off the premises, are exempt from sales tax. However, the purchaser must be properly licensed and paying tax to the City on sales to customers. Also, sales of paper (and similar products, such as plastic or styrofoam) cups, lids, plates, bags, napkins, straws, knives, forks, etc., to eating establishments are exempt from sales tax.

20. SALES OF ITEMS TO QUALIFYING HOSPITAL OR HEALTH CARE ORGANIZATION

21. FOOD FOR HOME CONSUMPTION

22. CERTAIN SALES TO PERSONS ENGAGED IN THE BUSINESS OF FARMING, RANCHING, OR FEEDING LIVESTOCK, POULTRY OR RATITES

If you make sales of seed, fertilizer, fungicides, seed treating chemicals, feed for livestock, poultry or ratites, including salt, vitamins, or other additives, and livestock, poultry, or ratites purchased for slaughter, you do not owe sales tax. However, you need to pay tax on sales of livestock to be used for production or use, and for sales of machinery, equipment and fuels used in the business of farming, ranching, or the feeding of livestock, poultry, or ratites.

23. SALES OF GROUNDWATER MEASURING DEVICES

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RETAIL SALES

24. SALES OF PAINTINGS, SCULPTURES OR SIMILAR WORKS OF FINE ART SOLD BY THE ORIGINAL ARTIST

However, sales of items such as jewelry, macramé, glasswork, pottery, woodwork, metalwork, furniture, and clothing, when such have a dual purpose, both aesthetic and utilitarian, are not exempt, whether sold by the artist or by another.

25. SALES OF AIRCRAFT ACQUIRED FOR USE OUTSIDE THE STATE

26. SALES OF GOODS CONSISTING OF MANUFACTURED ITEMS DESTROYED BY BEING SUBJECTED TO DESTRUCTIVE STRESS, STRAIN OR SIMILAR TESTING, FOR THE PURPOSE OF DEVELOPING ENGINEERING INFORMATION OR FOR THE PURPOSE OF QUALITY CONTROL

27. SALES OF PRINTED AND ELECTRONIC MATERIALS TO PUBLICLY FUNDED LIBRARIES

28. CLEANROOMS USED FOR RESEARCH AND MANUFACTURING OF SEMICONDUCTOR PRODUCTS

29. PERSONAL HYGIENE ITEMS SOLD TO HOTELS AND MOTELS FOR USE BY GUESTS

30. OUT OF STATE SALES OF MOTOR VEHICLES

31. SALES OF SOLAR DAYLIGHTING & ENERGY DEVICES BY A REGISTERED SOLAR ENERGY RETAILER WITH THE ARIZONA DEPARTMENT OF REVENUE

SALES TO NATIVE AMERICANS

Sales to Native Americans by vendors located within the City are not taxable if all of the following exist:

- (a) solicitation and placement of the order occurs on the reservation
- (b) delivery is made to the reservation
- (c) payment originates from the reservation

SALES TO NONPROFIT ORGANIZATIONS

A transaction where the customer is a nonprofit organization is subject to the sales tax even though the property so acquired may be resold or leased by the nonprofit organization to others. However, sales to a qualifying healthcare organization are exempt.

SALES TO OTHER JURISDICTIONS

Other than the above sales exemptions to the federal government, all sales to the state, cities, counties, school districts and other political subdivisions are taxable including sales to the City of Mesa.

This is an informal and nonbinding communication. This publication is for general information only about Transaction Privilege (Sales) Tax on retail sales. For complete details, refer to the City of Mesa Privilege & Excise Tax Code and related regulations. In case of inconsistency or omission in this publication, the language of the Tax Code will prevail. The transaction privilege tax is commonly referred to as a sales tax, however, the tax is on the privilege of doing business in Mesa and is not a true sales tax.

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